(22,971)

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1913.

No. 142.

THE WOODWARD COMPANY

vs.

JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY, AND THE RUBBER TIRE WHEEL COMPANY.

ON A CERTIFICATE FROM THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., AUGUST 14, 1913.

1 United States Circuit Court of Appeals, Second Circuit.

JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY, and THE RUBBER TIRE WHEEL COMPANY, Complainants-Appellees,
against
THE WOODWARD COMPANY, Defendant-Appellant.

There arises in this case a question of law upon which this Court desires the instruction of the Supreme Court for its proper decision.

It is therefore ordered that the statement and questions here following be certified to the Supreme Court as provided by the Sixth Section of the Act of March 3rd, 1891.

United States Patent No. 554,675, was issued February 18, 1896, to Arthur W. Grant for Rubber Tired Wheel. The patentee immediately assigned the entire interest in said patent to the Rubber Tire Wheel Company. October 11, 1897, The Rubber Tire Wheel Company being the sole owner, sold and assigned to the complainant James D. Hurd an exclusive license and shop-right to put on rubber tires according to said patent in Berkshire County, Massachusetts; in the western part of Vermont and in seventeen counties in New York State, "with the exclusive right to ship and sell the same throughout said territory and not elsewhere," subject, however, to the rights of the Hartford Rubber Works Company, under a certain contract. Mr. Hurd immediately commenced and has
2 ever since continued to operate under said patent in said territory.

July 18, 1899, the owner of said patent conveyed the exclusive license to make and vend such tires throughout the United States to the Consolidated Rubber Tire Company, subject however to Hurd's rights and the Hartford Rubber Works Company contract.

Much litigation has been had in reference to said patent. The following are the only cases important here, all of which were commenced after the exclusive license was granted to the complainant Hurd and in none of which was he a party to the action or in control of the action.

The Circuit Court of Appeals in the Sixth Circuit, in the case of Goodyear Tire & Rubber Co. vs. The Rubber Tire Wheel Co., 116 Fed. Rep., 363, held that the patent was invalid.

The Court in the Second Circuit in the case of the Consolidated Rubber Tire Co. v. Finley Rubber Tire Co., 116 Fed. Rep., 629, held that the patent was valid.

The Court in the Sixth Circuit in the case of The Rubber Tire Wheel Co. v. The Victor Rubber Co., 123 Fed. Rep., 895, held that the patent was void.

The Court in the Second Circuit, in the case of the Consolidated Rubber Tire Co. v. Firestone Tire & Rubber Co., 147 Fed. Rep., 739, affirmed on appeal in 151 Fed. Rep., 237, held that the patent was valid and infringed.

The Circuit Court of the District of Indiana in the case of the Consolidated Rubber Tire Company and The Rubber Tire Wheel Co., D. B. Sullivan and Kenney & Sullivan v. Kokomo Co., D. C. Sparker, A. Lehman and G. W. Landan, not reported, dismissed the complaint upon the pleadings, testimony and exhibits for want of equity, no opinion being written and the ground for the
3 decision not being set forth in the order except that the complaint was dismissed "for want of equity."

The Circuit Court of Appeals in the Second Circuit in the case of the Consolidated Rubber Tire Co. v. Diamond Rubber Co., of New York, 157 Fed. Rep., 678, and on re-hearing 162 Fed. Rep., 892, held that the patent was valid and infringed by the defendant.

The Supreme Court of the United States affirmed this decision in 220 U. S., 428, and held that the patent was valid and infringed by the defendant.

None of these cases were for infringement in Hurd's exclusive territory.

In view of the ruling of the Supreme Court in Kessler v. Eldred, 206 U. S., 285, the Court of Appeals in the Second Circuit inserted the following clause in the final decree in the case of the Consolidated Rubber Tire Co. v. Diamond Rubber Co., of New York (162 Fed. Rep., 895):

"Nothing in this injunction shall prevent or is intended to prevent, or enjoin this defendant from handling, using and selling rubber tires and rims covered by the Grant patent, manufactured by the Goodyear Tire & Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the federal courts of the Sixth Circuit; or manufactured by the Kokomo Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the district of Indiana, Seventh Circuit; or manufactured by the Victor Rubber Tire Company, under a judicial decree in a litigation in the federal courts in the Sixth Circuit, wherein in such litigations *in* has been judicially determined that the said Grant patent is invalid and void."

After the decision of the Supreme Court sustaining the Grant patent Hurd commenced this suit, joining with him the legal owner and licensee of the patent, against defendants residing and
4 doing business within Hurd's exclusive territory. Defendant purchased the infringing tires—the rubber portion only—not the metal channel or retaining wires—from the Diamond Rubber Company of New York, which was the defendant in the former litigation and the rubber, metal channels and retaining wires were sold by the defendant The Woodward Company to be assembled and attached to the wheel rim of its purchasers and not by the Kokomo Company.

Defendants now claim that the infringing tires—the rubber stock only—used by them in their business was made by the Kokomo Rubber Company which was the defendant in the action in the District of Indiana where the complaint was dismissed for want of

equity, and sold to them by the Diamond Rubber Company of New York at the City of New York and there delivered.

Defendants claim that under the ruling of the Supreme Court in the case of Kessler v. Eldred, 206 U. S., 285, the Kokomo Company have the right to manufacture the infringing tires, and that the tires so made are free from the monopoly of the patent and the users of the tires made by the Kokomo Company are immune from prosecution and such tires may be used and sold by any one.

On the other hand it is claimed by complainants that the doctrine of the case of Kessler v. Eldred does not apply here for the reason that the patent has since been held valid by the Supreme Court and that the complainant Hurd had possession of his limited territory under his exclusive license before any of the suits in question were commenced, and was not a party to those actions and had no control over any of those actions and is not privy to the parties in
5 those actions and is therefore not bound by the decisions in those actions, also that the decision in Kessler v. Eldred was upon the ground that a decree that an article in question is, or is not, an infringement of the patent is res adjudicata as to similar articles only and does not apply to a case where the patent was held void by the lower court and afterward held valid by the Supreme Court, and also that no specific ground for the decision in the case against the Kokomo Company having been stated by the court, the reasons for that decision can not now be inferred and such decision cannot be binding upon any person not a party to that action.

Questions Certified.

The Court entertaining a doubt as to which is the correct interpretation to be put upon the opinion in Kessler v. Eldred, upon the facts set forth above, desires the instruction of the Supreme Court for the proper decision of this appeal and to that end it certifies to the Supreme Court under Section 6 of the Court of Appeals Act, for its instruction the following questions:

1st. Has the Kokomo Company the right to manufacture the infringing tires free from the monopoly of the patent?

2nd. Are purchasers and users of infringing tires made by the Kokomo Company immune from prosecution by the owners of the patent?

3rd. Are the defendants immune from prosecution by the complainant Hurd for using and selling the infringing tires made by the Kokomo Company, in the exclusive territory conveyed to Hurd prior to the commencement of the action against the Kokomo Company?

4th. If the Kokomo Company is immune in making the infringing rubber which is only one element of the combination of
6 the patent are its customers who purchase the rubber of the Kokomo Company and the metal rims and retaining wires of other parties and sell them to be assembled upon wheel rims mak-

ing the completed structure of the patent also immune from prosecution?

Dated, New York, December 7th, 1911.

E. HENRY LACOMBE,
H. G. WARD,
WALTER C. NOYES,
Judges of the United States Circuit Court of Appeals, Second Circuit.

7 I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit, do hereby certify that the foregoing certificate was filed and entered of record in my office on the 7th day of December, 1911, and by direction of the Judges of said court said certificate is by me forwarded to the Supreme Court of the United States.

Dated, New York, December 7th, 1911.

[Seal United States Circuit Court of Appeals, Second Circuit.]

WM. PARKIN, *Clerk.*

8 [Endorsed:] United States Circuit Court of Appeals, Second Circuit. James D. Hurd et al. v. The Woodward Company. Certificate. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 7, 1911. William Parkins, Clerk.

Endorsed on cover: File No. 22,971. U. S. Circuit Court of Appeals, 2d Circuit. Term No. 142. The Woodward Company vs. James D. Hurd, Consolidated Rubber Tire Company, and The Rubber Tire Wheel Company. (Certificate.) Filed December 18th, 1911. File No. 22,971.

9

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JAMES D. MAHER
CLERK

IN THE

SUPREME COURT OF THE UNITED STATES,

OCTOBER TERM, A. D. 1913.

No. 141 and No. 142.

WILLIAM SEIM and GUSTAV REISSIG
vs.
JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY and THE RUBBER TIRE WHEEL COMPANY.

THE WOODWARD COMPANY
vs.
JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY and THE RUBBER TIRE WHEEL COMPANY.

On Certificate from the United States Circuit Court of Appeals for the Second Circuit.

2. Henry Lacombe, H. G. Ward and Walter C. Noyes, Circuit Judges.

BRIEF AND ARGUMENT FOR WILLIAM SEIM and GUSTAV REISSIG and THE WOODWARD COMPANY

BY

CHARLES K. OFFIELD.

BARNARD & MILLER PRINT, CHICAGO.

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E. Henry Lacombe, H. G. Ward and Walter C. Noyes, Circuit Judges.

BRIEF AND ARGUMENT FOR WILLIAM SEIM and GUSTAV REISSIG and THE WOODWARD COMPANY

BY

CHARLES K. OFFIELD.

There are four questions involved and present for consideration upon the certificate of the three judges constituting the Court of Appeals for the Second Circuit. In each of the above entitled causes, the questions certified are precisely the same, except as to question 3. Question 3 in the Woodward case, however, does not differ materially from question 3 in the first above case entitled, against Seim & Reissig. We deem it therefore without profit to

court or counsel to write separate briefs in these two cases, and what we believe to be following the spirit of the "new rules," shall treat these cases practically as one, pointing out to the court the slight difference between the two as to question 3 certified. Such questions certified and the facts antecedent to the conditions upon which the questions certified are founded, are concisely but comprehensively stated in the "certificate" which we herewith quote in full for more convenient reference, omitting only the title of the above case in so doing. The Court of Appeals said:

> "There arises in this case a question of law upon which this court desires the instruction of the Supreme Court for its proper decision.
>
> "It is therefore ordered that the statement and questions here following be certified to the Supreme Court as provided by the Sixth Section of the Act of March 3, 1891.
>
> "United States Patent No. 554,675, was issued February 18, 1896, to Arthur W. Grant for Rubber Tired Wheel. The patentee immediately assigned the entire interest in said patent to the Rubber Tire Wheel Company. October 11, 1897, The Rubber Tire Wheel Company, being the sole owner, sold and assigned to the complainant, James D. Hurd, an exclusive license and shop-right to put on rubber tires according to said patent in Berkshire County, Massachusetts; in the western part of Vermont and in seventeen counties in New York state, 'with the exclusive right to ship and sell the same throughout said territory and not elsewhere,' subject, however, to the rights of the Hartford Rubber Works Company, under a certain contract. Mr. Hurd immediately commenced and has ever since continued to operate under said patent in said territory.
>
> "July 18, 1899, the owner of said patent con-

veyed the exclusive license to make and vend such tires throughout the United States to the Consolidated Rubber Tire Company, subject, however, to Hurd's rights and the Hartford Rubber Works Company contract.

"Much litigation has been had in reference to said patent. The following are the only cases important here all of which were commenced after the exclusive license was granted to the complainant Hurd and in none of which was he a party to the action or in control of the action.

"The Circuit Court of Appeals in the Sixth Circuit, in the case of *Goodyear Tire & Rubber Co.* v. *The Rubber Tire Wheel Company*, 116 Fed. Rep. 363, held that the patent was invalid.

"The Court in the Second Circuit in the case of the *Consolidated Rubber Tire Co.* v. *Finley Rubber Tire Co.*, 116 Fed. Rep. 629, held that the patent was valid.

"The court in the Sixth Circuit in the case of *The Rubber Tire Wheel Co.* v. *The Victor Rubber Co.*, 123 Fed. Rep. 895, held that the patent was void.

"The court in the Second Circuit, in the case of *The Consolidated Rubber Tire Co.* v. *Firestone Tire & Rubber Co.*, 147 Fed. Rep. 739, affirmed on appeal in 151 Fed. Rep. 237, held that the patent was valid and infringed.

"The Circuit Court of the District of Indiana in the case of *The Consolidated Rubber Tire Company and The Rubber Tire Wheel Co., D. B Sullivan and Kenney & Sullivan* v. *Kokomo Co., D. C. Spraker, A. Lehman and G. W. Landan*, not reported, dismissed the complaint upon the pleadings, testimony and exhibits for want of equity, no opinion being written and the ground for the decision not being set forth in the order except that the complaint was dismissed 'for want of equity,' the case then being appealed by the complainants to the U. S. Circuit Court of

Appeals of the Seventh Circuit, and thereupon dismissed thereafter.

"The Circuit Court of Appeals in the Second Circuit in the case of *The Consolidated Rubber Tire Co.* v. *Diamond Rubber Co., of New York,* 157 Fed. Rep. 678, and on rehearing 162 Fed. Rep. 892, held that the patent was valid and infringed by the defendant.

"The Supreme Court of the United States affirmed this decision in 220 U. S. 428, and held that the patent was valid and infringed by the defendant.

"None of these cases were for infringement in Hurd's exclusive territory.

"In view of the ruling of the Supreme Court in *Kessler* v. *Eldred,* 206 U. S. 285, the Court of Appeals in the Second Circuit inserted the following clause in the final decree in the case of *The Consolidated Rubber Tire Co.* v. *Diamond Rubber Co., of New York* (162 Fed. Rep. 895):

'Nothing in this injunction shall prevent or is intended to prevent, or enjoin this defendant from handling, using and selling rubber tires and rims covered by the Grant patent, manufactured by the Goodyear Tire & Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the federal courts of the Sixth Circuit; or manufactured by the Kokomo Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the District of Indiana, Seventh Circuit; or manufactured by the Victor Rubber Tire Company, under a judicial decree in a litigation in the federal courts in the Sixth Circuit, wherein in such litigations it has been judicially determined that the said Grant patent is invalid and void.'

"After the decision of the Supreme Court sustaining the Grant patent Hurd commenced this suit, joining with him the legal owner and licensee of the patent, against defendants residing and doing business within Hurd's exclusive ter-

ritory. Defendants purchased the infringing tires from the Diamond Rubber Company of New York, which was the defendant in the former litigation, and at the City of New York, and such tires were delivered to defendants at the City of New York, and then taken to Albany, complainant Hurd's territory, and the rubber, metal channel and retaining wires were there assembled and attached to the wheel rim by defendants, and not by the Kokomo Company or the Diamond Rubber Company of New York.

"Defendants now claim that the infringing tires used by them in their business was made by the Kokomo Rubber Company and sold to them by the Diamond Rubber Company of and at New York City, said Kokomo Company being the defendant in the action in the District of Indiana where the complaint was dismissed for want of equity.

"Defendants claim that under the ruling of the Supreme Court in the case of *Kessler* v. *Eldred*, 206 U. S. 285, the Kokomo Company have the right to manufacture the infringing tires, and that the tires so made are free from the monopoly of the patent and the users of the tires made by the Kokomo Company are immune from prosecution and such tires may be used and sold by any one.

"On the other hand it is claimed by complainants that the doctrine of the case of *Kessler* v. *Eldred* does not apply here for the reason that the patent has since been held valid by the Supreme Court and that the complainant Hurd had possession of his limited territory under his exclusive license before any of the suits in question were commenced, and was not a party to those actions and had no control over any of those actions and is not privy to the parties in those actions and is therefore not bound by the decisions in those actions, also that the decision in *Kessler* v. *Eldred* was upon the ground that a

decree that an article in question is, or is not, an infringement of the patent is *res adjudicata* as to similar articles only and does not apply to a case where the patent was held void by the lower court and afterward held valid by the Supreme Court, and also that no specific ground for the decision in the case against the Kokomo Company having been stated by the court, the reasons for that decision cannot now be inferred and such decision cannot be binding upon any person not a party to that action.

Questions Certified.

"The court entertaining a doubt as to which is the correct interpretation to be put upon the opinion in *Kessler* v. *Eldred*, upon the facts set forth above, desires the instruction of the Supreme Court for the proper decision of this appeal and to that end it certifies to the Supreme Court under Section 6 of the Court of Appeals Act, for its instruction the following questions:

"1. Has the Kokomo Company the right to manufacture the infringing tires free from the monoply of the patent?

"2. Are purchasers and users of infringing tires made by the Kokomo Company immune from prosecution by the owners of the patent?

"3. Are the defendants immune from prosecution by the complainant Hurd for using and selling the infringing tires made by the Kokomo Company (and sold and delivered to them by the Diamond Rubber Company of New York at the City of New York), in the exclusive territory conveyed to Hurd prior to the commencement of the action against the Kokomo Company?

"4. If the Kokomo Company is immune in making the infringing rubber which is only one element of the combination of the patent are its customers who purchase the rubber of the Kokomo Company and the metal rims and retaining wires of other parties and sell them to be

assembled upon wheel rims making the completed structure of the patent also immune from prosecution?

"Dated, New York, December 7, 1911.

E. HENRY LACOMBE,
H. G. WARD,
WALTER C. NOYES,
Judges of the United States Circuit Court of Appeals, Second Circuit."

There are two facts plainly apparent upon the face of this record as certified, and appearing in the decision of this court in the case of the two corporation defendants herein—Consolidated Rubber Tire Company and The Rubber Tire Wheel Company—against the Diamond Rubber Company of New York, that, in our view, are not given that prominence and effect in connection with the questions certified that they deserve and which must be rightfully present and considered before your Honors in determining rightfully the answers to these questions.

Under and in connection with the questions as here certified, and referring to the case of *The Consolidated Rubber Tire Co., et al.* v. *Kokomo Rubber Co.*, the Court of Appeals of the Second Circuit said, using this language:

> "No opinion being written and the ground for the decision not being set forth in the order except that the complaint was dismissed for want of equity."

Then the Court of Appeals for the Second Circuit, as appears by the facts certified, under decree entered and under the special clause quoted, found and

so stated that in the case above referred to and afterwards before this high court, that in such suit of the *Consolidated Rubber Tire Co., et al.* v. *Kokomo Rubber Co.* in the Seventh Circuit:

> "It has been judicially determined that the said Grant patent is invalid and void."

In the case of *Diamond Rubber Co.* v. *Consolidated Rubber Tire Co., et al.*, 220 U. S. 445, this court said, speaking generally and specifically as to the subject matter of the questions certified, as follows:

> "The final contention of the Rubber Company is that the Grant patent having been declared invalid by the Circuit Court of Appeals for the Sixth Circuit and by the Circuit Court for the District of Indiana in the Seventh Circuit, the Rubber Company should not have been enjoined from the handling or sale of tires manufactured in the Sixth and Seventh Circuits, and cites *Kessler* v. *Eldred*, 206 U. S. 285.
>
> "The Court of Appeals practically reserved the question. It modified the decree of the Circuit Court so far as it prevented the handling, using or selling tires and rims authorized by any judicial decree, recognizing as it said, the applicability of *Kessler* v. *Eldred*. But it further said:
>
> 'Whether it should be given a broader interpretation is a question upon which we express no opinion, deeming it more prudent to wait until the facts are fully developed.
>
> There is no occasion for attempting at this time to anticipate the future and to provide for a contingency which may not arise. * * * To provide in a decree that the defendant is not enjoined from making, using and selling devices which do not infringe or which have been licensed, seems unnecessary. The doctrine of Eldred and Kessler, if carried to the extent con-

> tended for by the defendant will introduce radical and far-reaching limitations upon the rights of patentees. These questions may not arise in the case at bar, but if they should the court should have the facts, and all the facts, before attempting to decide them.'
>
> "We concur in these remarks."

We most respectfully submit that the decision and decree of the Court of Appeals of the Second Circuit, and the recognition and endorsement of such decree settling all questions present in this case, will leave little or no room or opportunity for invoking or referring to the case of *Kessler* v. *Eldred, supra.* That case, while it may have been the reason for the decision and the decree as rendered, still, the language therein used obviates any necessity of again referring to that decision under the facts in this case. Certain questions were reserved by the Court of Appeals which were insisted upon by the defendants as relevant to a right settlement of the status of the parties in the case of *The Diamond Rubber Co.* v. *Consolidated Rubber Tire Co., et al.*, arising out of the case of *Kessler* v. *Eldred* referred to in the opinion of this court as "the final contention of the Rubber Company," as follows:

> "The final contention of the Rubber Company is that the Grant patent having been declared invalid by the Circuit Court of Appeals for the Sixth Circuit and by the Circuit Court for the District of Indiana in the Seventh Circuit, the Rubber Company should not have been enjoined from the handling or sale of tires manufactured in the Sixth and Seventh Circuits."

This question only was reserved and not passed upon by the Court of Appeals of the Second Circuit

for reasons there given, and this court concurred in the remarks of the Court of Appeals of the Second Circuit as to this particular phase of the subject, but that question is no more to the front in this case than it was in the Court of Appeals case of the Second Circuit.

It is without any manner of doubt, as shown by the facts and questions certified, that the defendants Seim and Reissig and The Woodward Company, in this case purchased and purchased only, their tires from the Diamond Company of New York, decreed by the Court of Appeals of the Second Circuit as having a right to sell the same as manufactured by the Kokomo Rubber Company, and that the Kokomo Rubber Company had a right to manufacture, to use and to sell such tires under a judicial decree, etc., and that such tires were purchased by these defendants Seim & Reissig and The Woodward Company as manufactured by the Kokomo Rubber Company of Indiana and sold by said company to said Diamond Rubber Company of New York, and that such tires were not only manufactured by the Kokomo Rubber Company of Indiana and sold by said Kokomo Rubber Company of Indiana to the Diamond Rubber Company of New York, as so decreed, but that they were purchased by these defendants at the City of New York and delivered to these defendants, Seim & Reissig and The Woodward Company, at the City of New York, and afterwards taken to the City of Albany and there used.

We do not wish to be understood, however, as not claiming that under these facts and conditions alone, if there had been no antecedent determination of

this particular question in this particular action, that the case of *Kessler* v. *Eldred*, 206 U. S. 285, will not prevail and is not here directly applicable, namely, that the Kokomo Rubber Company having the right to manufacture the infringing tires, no matter whether by judicial decree, license or otherwise, the tires so made are free from the monopoly of the patent, and the purchasers and users of these tires made by the Kokomo Rubber Company are immune from prosecution and these tires may be used and sold anywhere by any one.

It would seem then that the first question certified, namely:

> "Has the Kokomo Company the right to manufacture the infringing tires free from the monopoly of the patent?"

should be answered in the affirmative for the following reasons, briefly epitomized:

(1) That all questions between the Consolidated Company and the Rubber Tire Wheel Company against the Kokomo Rubber Company, having been settled by judicial decree in the U. S. District Court for the District of Indiana and appealed by the Consolidated Company and the Rubber Tire Wheel Company to the U. S. Circuit Court of Appeals for the Seventh Circuit, and such appeal being dismissed by said appellants; the patent having been declared invalid for want of patentable novelty in the court below—that such settlement should stand, of necessity, as the law between these parties.

(2) Because this question as to whether or not the Kokomo Company has the right to manufacture infringing tires free from the monopoly of the pat-

ent, was a distinct issue in the case against the Diamond Rubber Company of New York brought by these two corporations—Consolidated Rubber Tire Company and The Rubber Tire Wheel Company—such court settling and decreeing that the said Kokomo Company had such right of manufacturing and selling the alleged infringing tires, and this court has affirmed such finding; the case of *Kessler* v. *Eldred* also determining this matter.

As to the next question submitted:

Second Certified Question:

> "2. Are purchasers and users of infringing tires made by the Kokomo Company immune from prosecution by the owners of the patent?"

The answering of the first question certified in the affirmative, would seem also, of necessity, to carry with it, an affirmative answer to the second question certified. It would seem to go without saying that if the Kokomo Company had a right to manufacture the tires of the patent free from the monopoly of the patent, the purchasers of those tires from the Kokomo Company, and the users and sellers of such tires so purchased, would be free also from prosecution by the owners of the patent. Otherwise the right of the Kokomo Company to manufacture such tires would be meaningless and worthless, because the tires being free from the monopoly of the patent, must of necessity mean, free from such monopoly, as against the owners of the patent wherever found. This proposition seems to be so clear and recognizable as to obviate any extended citation of authorities in support thereof.

In the case of *Keeler* v. *Standard Folding Bed Co.*, 157 U. S. 659, this court seems to have settled in the affirmative this second question certified. This court there stated:

> "The purchaser of the article from one authorized by the patentee to sell it emancipates such articles from any further subjection to the patent."

This case contains a concise, but at the same time, an elaborate and comprehensive review of the authorities of the cases in this court, upon which the above quoted statement is founded, as follows:

> "This brief history of the cases shows that in *Wilson* v. *Rousseau* (4 How. 646), and the cases following it, it was held that, as between the owner of a patent on the one side, and a purchaser of an article made under the patent on the other, the payment of a royalty once, or, what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent * * * and that in respect of *the time* of enjoyment, by those decisions the right of the purchaser, his assigns or legal representatives, is clearly established to be entirely free from any further claim of the patentee or any assignee."

Third Certified Question.

> "3. Are the defendants immune from prosecution by the complainant Hurd for using and selling the infringing tires made by the Kokomo Company, and sold and delivered to them by the Diamond Rubber Company of New York at the City of New York, in the exclusive territory conveyed to Hurd prior to the commencement of the action against the Kokomo Company?"

If either the first or second questions certified, are answered in the affirmative, it would seem to follow also that the third certified question should be so answered. If a purchaser purchases a patented device in a territory where the device is rightfully made and sold, it would seem to follow that such device could be taken and used anywhere in a territory co-extensive with the monopoly of the patent itself, irrespective of separate ownership of said patent for a particular part of such territory.

We assume, in a discussion of this third certified question, that there is no possible doubt but that the Kokomo Company of Indiana has the absolute right since the decree of dismissal of the bill of complaint of the corporate complainant against that defendant, to make, use and sell the exact device of the patent, if it so desires, anywhere in the United States. We will assume that this proposition of law is absolute and sound and to sustain this suit is to overrule at once the settled doctrine of this Court, to the effect that once a patented article is emancipated it is emancipated for all time. When this Court decided as it did many years ago that a license to manufacture and sell within a prescribed territory extremely narrow in extent, carrying with it the right to sell the goods so manufactured for use or sale anywhere within the United States, it was, of course, establishing a rule which might and undoubtedly sometimes did work a hardship upon the owners of other territory under the same patent, even if such territory, as to ownership, was extremely limited in extent.

The early case in this court of *Adams* v. *Burke*, 17

Wall 453, which, as we understand it, establishes the doctrine that there can be no territorial restrictions as to the use of a lawfully made and sold device, was a case where the patentee owner had granted the right to manufacture and use the patented device within a ten-mile circle, yet this court said:

> "It seems to us that, although the right of Lockhart & Seelye to manufacture, to sell and to use these coffin-lids was limited to the circle of ten miles around Boston, that a purchaser from them of a single coffin acquired the right to use that coffin for the purpose for which all coffins are used. That so far as the use of it was concerned, the patentee had received his consideration, and it was no longer within the monopoly of the patent. It would be to engraft a limitation upon the right of use not contemplated by the statute nor within the reason of the contract to say that it could only be used within the ten mile circle."

By later decisions at all the circuits, this doctrine has been amplified so that it is now settled that, in the absence of express notice upon the article itself, there can be no territorial restriction in the use of a patented article once lawfully made and sold.

The cases are not infrequent where an inventor is restricted in the exercise of his patent monopoly and a handicap put upon him by rules of decision of this Court. A very common case is where the law confers a shop-right license upon one who employs an inventor to work for him, and the inventor while so employed produces an invention.

McClurg v. *Kingsman*, 1 How. 202.
Hapgood v. *Hewitt*, 119 U. S. 226.

Fourth Question Certified.

"4. If the Kokomo Company is immune in making the infringing rubber which is only one element of the combination of the patent, are its customers who purchase the rubber of the Kokomo Company and the metal rims and retaining wires of other parties and sell them to be assembled upon wheel rims making the completed structure of the patent also immune from prosecution?"

The answering of the fourth question it seems to us is rendered somewhat difficult by reason of the absence of all the facts that should be present to determine such answer.

The Kokomo Rubber Company, as its name implies, is a rubber manufacturer of a wide variety of rubber articles known to that industry and including the manufacture and sale of rubber articles in various forms, tires and otherwise, that can bear no relation to the Grant patent. The Kokomo Rubber Company is not in the wire or the steel business, nor does it manufacture any article of this metal.

We shall assume then that the Kokomo Rubber Company, as the certified question assumes, no matter what the facts may be, is immune, in making the infringing rubber which is only one element of the combination of the patent, and being so immune it has a right to incorporate this "infringing rubber which is only one element of the combination of the patent" into the concrete unit structure of the patent itself, and have allied therewith the metal rims and retaining wires forming the other two elements of the Grant patent, and so sell them either assembled or separately. It would seem to follow neces-

sarily that if the Kokomo Company had this right, not only under the decree of the Circuit Court of Appeals of the Second Circuit, but also under the case of *Kessler* v. *Eldred, supra*, then a purchaser, directly or by lineal descent, would have a right so to do. Of course if the manufacture and sale by the Kokomo Company of the rubber element only of the Grant patent, cannot under any circumstances constitute infringement of the Grant patent and this may well be so, then it seems to us that the question should be answered in the negative.

The Woodward Company vs. James D. Hurd, Consolidated Rubber Tire Company and The Rubber Tire Wheel Company.

There is but one change in the statement of the Court of Appeals in this case, different from the statement as above quoted in the Seim & Reissig case, such statement in the Woodward case being as follows:

> "After the decision of the Supreme Court sustaining the Grant patent, Hurd commenced this suit, joining with him the legal owner and licensee of the patent against defendants residing and doing business within Hurd's exclusive territory. Defendant purchased the infringing tires—the rubber portion only—not the metal channel or retaining wires—from the Diamond Rubber Company of New York, which was the defendant in the former litigation and the rubber, metal channels and retaining wires were sold by the defendant, The Woodward Company, to be assembled and attached to the wheel rim of its purchasers and not by the Kokomo Company."

The only difference in the third question certified in the Woodward case is that in the Seim & Reissig case there is incorporated, in addition to the third question certified in the Woodward case, the following:

> "and sold and delivered to them by the Diamond Rubber Company of New York at the City of New York."

It would seem quite evident that this question, under the authorities before cited, should be answered in the affirmative, if the infringing tires there mentioned are the unit tires made up of the three elements—rubber, channel and wires, identified by the Grant patent, not only under the decree in the Second Circuit but under the doctrine of *Kessler* v. *Eldred* above cited, and under the additional authorities cited, and if this be true it cannot make any difference whether such use and sale is made in the territory conveyed to Hurd or not. If, however, the court should hold that the manufacture and sale of either one of the three elements alone of the Grant patent is not an infringement of that patent, these elements all being old separately in the tire art, and the invention of the Grant patent being only the combination of these three elements in the precise way and in the precise form and shape as described by the Grant patent, as appears to be the opinion of this court in 220 U. S. 428, then it would seem certain that the third question certified in the Wood ward case should be answered in the negative.

The question of privity, as bearing upon all the questions certified.

It appears to us that the question of privity will come prominently to the front in the settling of the questions certified herein. It has been held frequently that a patent is a contract between the inventor and the public, based upon a valuable consideration.

Robinson on Patents, thus states the proposition (Par. 481):

> "A patent is a contract between the inventor and the public, by which the inventor in consideration that the exclusive use of his invention is secured to him for a limited period of time, confers upon the public the knowledge of the invention during that period and an unrestricted right to use it after that period has expired."

Citing in support of such statement the following cases:

Page v. *Ferry*, 1 Fish 298.
Wintermute v. *Redington*, 1 Fish 239.
Gibson v. *Brandt*, 1 Web. 262.
Walton v. *Potter*, 1 Web. 585.
Ransom v. *Mayor of N. Y.*, 1 Fish 252.

Walker on Patents states the proposition more tersely (Par. 152):

> "He receives nothing but a contract which provides that for a limited time he may exclusively enjoy his own."

The suit of these complainants against the Kokomo Rubber Company in the Seventh Circuit—appealed and dismissed; also against The Goodyear Tire & Rubber Co. of the Sixth Circuit and against the Victor Rubber Tire Company in the Sixth Circuit,

wherein in the Courts of Appeals in these cases, the Grant patent was declared invalid and void, were all suits wherein the patent and patentee, and the defendants were attempting judicially to determine the validity of the patent and the validity of the contract. Every party other than the patentee who owned territorially an interest in the patent, as for example—Hurd—was in privity with these suits, and the mere fact that such parties did not interplead but stood outside the litigation, could not alter this fact and the determination and finding of the invalidity of the patent went directly to these parties and had in reality the same binding force and effect upon them as if they had been parties complainant to the litigation, to determine this fact.

In the case of *Brill* v. *Washington* (215 W. St. P. 527), this court said:

> "If the first Peckham Company was privy to the decree declaring the patent void, there would be great force in the argument that that decree established, as against the plaintiff, the right of the Peckham Manufacturing Company to make and sell the patented article and that the right ought to be recognized in a suit against its customers, defended by it." (Citing *Kessler* v. *Eldred.*)
>
> "It is unnecessary to decide that question, because the formal proofs are wanting; but, on the obvious facts, we should be unwilling to come to a different conclusion from that reached in the earlier litigation and again in the present suit, unless it was impossible to avoid the result."

Of course, this decision does not meet the exact point under discussion, but the court did say that there would be great force in the argument that

such customer would be protected and recognized as to its privity rights.

In the case of *Montezuma Canal Co.* v. *Smith* (218 W. S. 371), this court held (as read from Syllabus 3), as follows:

> "A decree determining the rights of an irrigation canal company in the waters of a river, as against the owners of other irrigation canals taking water from the river at points at the head of its own canal, and against all persons claiming under them, is *res judicata* as to such canal owners and the water users under such canals in a subsequent controversy over the respective rights of the appropriators of the waters of such river."

In the text of the decision (page 11) it was said:

> "We premise that the Montezuma Canal Co. and the defendant, individuals and canal companies in action No. 505, whether viewed as appropriators of water or as mere carriers for others, sufficiently represents the users of the waters of the respective canals to cause such water users to be bound by the judgment. *Thorpe* v. *Tenem Ditch Co.*, 1 Wash. 566, 20 Pac. 588; *Arroyo Ditch & Water Co.* v. *Baldwin*, 155 Cal. 280, 100 Pac. 874."

It is clear that no distinction of substance can be drawn between the users of water, the commodity dealt in by the Canal Co., and the users of rubber tires, the commodity dealt in by the Diamond Rubber Company of New York.

The last cited decision closes with the following language:

> "It follows from what we have said that error was committed by the court below in refusing to give due effect to the judgment in action No. 505. which was pleaded as *res judicata* by the Montezuma Canal Company."

We respectfully submit that the final decree or judgment in the Kokomo case amounted to a license by operation of law, as between the parties to that litigation and their privies.

In patent litigations, as we have before stated, the rights which are determined are not ordinarily, if ever, confined to the specific articles upon which the infringement suit is based. The real rights determined are the validity and the interpretation or scope of the patent in suit, and this was the case as to the Grant patent. This determination, of course, affects the specific articles complained of, but ordinarily those articles are a mere test of the scope and character of the complainant's rights. In the Kokomo litigation the right determined was that so far as that defendant was concerned, and, indeed, so far as the public was concerned, the complainants had an invalid patent. The right determined in the former litigation, out of which the case of *Kessler* v. *Eldred* grew, was that so far as Kessler was concerned, he did not infringe the complainant's patent by making a specified structure. Thereafter he had a license by operation of law—the final judgment—to continue to make and sell articles of that structure, and any suit which might have been brought afterwards against Kessler by the owner of the patent involved for making and selling or using articles of that construction, would have been successfully defended by a simple plea of *res adjudicata*. There is no question as to the correctness of this general proposition under the decided cases.

In *Southern Pacific Ry.* v. *United States* (168 U. S. pp. 1-48), this court said:

"The general principle announced in numerous cases is that a right, question or fact distinctly put in issue and directly determined by a court of competent jurisdiction, as a ground of recovery, cannot be disputed in a subsequent suit between the same parties or their privies; and even if the second suit is for a different cause of action, the right, question or fact once so determined must, as between the same parties or their privies, be taken as conclusively established, so long as the judgment in the first suit remains unmodified. This general rule is demanded by the very object for which civil courts have been established, which is to secure the peace and repose of society by the settlement of matters capable of judicial determination. Its enforcement is essential to the maintenance of social order; for, the aid of judicial power would not be invoked for the vindication of rights of person and property, if, as between parties and their privies, conclusiveness did not attend the judgments of such tribunals in respect of all matters properly put in issue and actually determined by them."

The decision of Kessler vs. Eldred, as bearing upon another phase of the questions certified.

There seems to be no doubt that under *Kessler* v. *Eldred*, a patent can be wholly valid in one Circuit and wholly invalid and void in another by the decisions of the several courts of appeals of such cirsuits. Judge Coxe of the Second Circuit, within a few months, has so decided in a so-far unreported case of the *Consolidated Company et al.* v. *Diamond Rubber Co. of N. Y.* As shown by the facts certified, the individual complainant—Hurd—received an exclusive license from the owner of this Grant pat-

ent in October, 1897. A period of fourteen years then elapsed before these present suits were brought, although this Grant patent had been declared valid in the Courts of the Second Circuit, both at the Circuit and in the Court of Appeals, and it would seem to follow that a court of equity had no jurisdiction in this case, and it is within the power and the province of this Court to dismiss the case as without equity and relegate the parties to a court of law, although this question of law is not directly certified. Such would seem to be the breadth and scope of the decision in the case of *Mast-Foos Co.* v. *Stover Mfg. Co.*, 177 U. S. 493.

Although this proposition of law is not certified, we respectfully submit that this case should be sent to the law side of the court, under such Court of Appeals decisions, as is recognized by the cases of *Kennicott* v. *Bain*, 185 Fed. 520; *William Soap Co.* v. *J. B. Williams Soap Co.*, 193 Fed. 384, at 386; *Chadeloid Chemical Co.* v. *Johnson et al.*, 203 Fed. 993.

Under the above authorities and argument presented, we respectfully submit that each of the questions certified should be answered "yes", except as to the fourth certified question, where it would appear that the facts submitted are too indefinite to permit an answer to be given.

Respectfully submitted,

CHARLES K. OFFIELD.

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Supreme Court of the United States.

OCTOBER TERM, 1913.

No. 141.

WILLIAM SEIM AND GUSTAVE REISSIG,

vs.

JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY AND THE RUBBER TIRE WHEEL COMPANY.

No. 142.

THE WOODWARD COMPANY,

vs.

JAMES D. HURD, CONSOLIDATED RUBBER TIRE COMPANY AND THE RUBBER TIRE WHEEL COMPANY.

ON QUESTIONS CERTIFIED BY THE COURT OF APPEALS FOR THE SECOND CIRCUIT.

BRIEF FOR JAMES D. HURD.

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Albany, New York.

Supreme Court of the United States

OCTOBER TERM, 1913.

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William Seim and Gustave Reissig,
vs.
James D. Hurd, Consolidated Rubber Tire Company and the Rubber Tire Wheel Company.

No. 142.
The Woodward Company,
vs.
James D. Hurd, Consolidated Rubber Tire Company and the Rubber Tire Wheel Company.

ON QUESTIONS CERTIFIED BY THE COURT OF APPEALS FOR THE SECOND CIRCUIT.

Brief for James D. Hurd.

STATEMENT.

These suits were begun by bills in equity in the usual form in June, 1911, in the Northern District of New York, for the infringement of the Grant patent No. 554,675, dated July 18, 1896, for Rubber Tired Wheel. Preliminary injunctions were granted by Honorable George W. Ray, District Judge for the Northern

District of New York. Appeals were taken to the Circuit Court of Appeals in the Second Circuit, which court certified four questions to this court as follows:

1st. Has the Kokomo Company the right to manufacture the infringing tires free from the monpoly of the patent?

2nd. Are purchasers and users of infringing tires made by the Kokomo Company immune from prosecution by the owners of the patent?

3rd. Are the defendants immune from prosecution by the complainant Hurd for using and selling the infringing tires made by the Kokomo Company, and sold and delivered to them by the Diamond Rubber Company of New York at the City of New York, in the exclusive territory conveyed to Hurd prior to the commencement of the action against the Kokomo Company?

4th. If the Kokomo Company is immue in making the infringing rubber which is only one element of the combination of the patent, are its customers who purchase the rubber of the Kokomo Company and the metal rims and retaining wires of other parties and sell them to be assembled upon wheel rims making the completed structure of the patent, also immune from prosecution?

The case is reported in Hurd v. Seim, 191 Fed. 832.

This patent has been subject to much litigation. The following are a few of the cases reported.

The Rubber Tire Wheel Co. v. Columbia Pneumatic Wagon Wheel Co., 91 Fed. Rep. 978.

Consolidated Rubber Tire Co. v. Finley Rubber Tire Co., 116 Fed. Rep. 629.

The Rubber Tire Wheel Co. v. Milwaukee Rubber Works Co., 142 Fed. Rep. 531, 533.

Consolidated Rubber Tire Co. v. Firestone Tire & Rubber Co., 147 Fed. Rep. 739. Affirmed on Appeal, 151 Fed. Rep. 237.

The Rubber Tire Wheel Co. v. Milwaukee Rubber Works Co., 154 Fed. Rep. 358, 362.

Consolidated Rubber Tire Co. v. Finley Rubber Tire Co., 116 Fed. Rep. 629.

Consolidated Rubber Tire Co. v. Diamond Rubber Co. of New York, 157 Fed. Rep. 678, and 162 Fed. Rep. 892. Affirmed in 220 U. S. 428.

The Rubber Tire Wheel Co. v. The Victor Rubber Co., 123 Fed. Rep. 895.

Hurd v. Seim & Reissig, 189 Fed Rep. 591, 191 Fed. Rep. 832.

Hurd v. The Woodward Co., 190 Fed. Rep. 28, 191 Fed. Rep. 835.

Hurd v. The James Goold Co., 197 Fed. Rep. 756, 203 Fed. Rep. 998.

POINTS.

FIRST.

The Kokomo Company had no right to manufacture infringing tires free from the monopoly of the patent.

The Court in Indiana dismissed the case against the Kokomo Company "for want of equity." This did not give the Kokomo Company any right or license to manufacture infringing tires. It is claimed that the suit

against the Kokomo Company was dismissed for the reason that the court held the patent to be invalid. There is no record of any such holding by the court, but even if that were true, the Supreme Court has since held the patent valid. The decree of the Circuit Court of Indiana did not grant or convey a license to the Kokomo Rubber Company. The Kokomo Company was the defendant in the suit. The decree dismissed the bill of complaint. It was in the nature of a negative decree. The Kokomo Company was not claiming under a license. There was no question of license before the court. The decree is claimed to have dismissed the action upon the ground that the patent was void. So long as that decree stands unreversed it is binding upon the parties to that action as to the subject matter of that action, but that is all. The only question is as to commencement of another action against the same defendants upon same or a new state of facts. A new fact has developed since that decision. That fact is that the patent has been declared valid by the United States Supreme Court. No new right was conveyed to the Kokomo Company. At most, although infringing, it cannot be sued by the same parties. No adjudicated case can be found dealing with the rights of the defendant under a decree of this kind. Therefore, it is necessary to establish a new precedent governing such cases.

The defendants are very solicitious about giving full force and credit to the decision of the Circuit Court of the District of Indiana in the Kokomo Case, but is not at all solicitous about giving any force or credit to the decision of the Supreme Court of the United States in the Diamond Rubber Company case. The Supreme Court in the Diamond Rubber Company case overruled the decision of the Circuit Court in the Kokomo Rub-

ber Company case and held the patent valid and infringed by the Diamond Rubber Company.

The decision of the United States Supreme Court in such a case as this is the law of the land. It is the law in all parts of the United States including the District of Indiana as well as the State of New York. All courts and persons are bound by the law as laid down by the United States Supreme Court. The Supreme Court has held that the Grant patent is valid. Therefore, the Grant patent is valid throughout the United States and its territories, and all persons and courts are bound to respect the decision of the Supreme Court of the United States and be guided and controlled by it. The Grant patent, therefore, is valid as to the Kokomo Company and the Diamond Rubber Company and all other companies in the United States and in every part thereof.

From the time the decision of the Supreme Court was handed down it became the supreme law of the land as to the validity of the Grant patent. From that moment the Grant patent was as valid to the Kokomo Company as to the citizens of the State of New York. None of the articles that were before the court in the case against the Kohomo Company are in existence at this time.

Judge Ray, in deciding this case, stated as follows: (Hurd v. Seim, 189 Fed. Rep. 591, at pages 595-600.

The Circuit Court of Appeals in the second circuit did not adjudicate or determine that the Kokomo Company has the right to make and sell articles which would infringe the Grant patent but for the decision of the Circuit Court of Indiana. The Supreme Court of the United States has not so adjudicated. The Circuit Court of Appeals in the second circuit has not adjudi-

cated or determined that purchasers and users of the articles referred to who obtain same from the Kokomo Company are protected in the use and sale of same in the second circuit. All the Circuit Court of Appeals in the second circuit adjudged or determined was that the injunction in Consilidated Rubber Tire Co. and Rubber Tire Wheel Co. v. Diamond Rubber Co. of New York, should except the defendant from its operation in handling, using and selling rubber tires and rims covered by the Grant patent, manufactured by the Kokomo Rubber Company.

The effect of the reservation made by the decree of the Circuit Court of Appeals in the second circuit is thus stated by the Supreme Court:

"The final contention of the Rubber Company is that the Grant patent having been declared invalid by the Circuit Court of Appeals of the Sixth Circuit and by the Circuit Court for the District of Indiana in the Seventh Circuit, the Rubber Company should not have been enjoined from the handling or sale of tires manufactured in the Sixth and Seventh Circuits, and cites Kessler v. Eldred, 206 U. S. 285.

The Court of Appeals practically reserved the question. It modified the decree of the Circuit Court so far as it prevented the handling, using or selling tires and rims authorized by any judicial decree, recognizing, as it said, the applicability of Kessler v. Eldred. But it further said:

'Whether it should be given a broader interpretation is a question upon which we express no opinion, deeming it more prudent to wait until the facts are fully developed.

'There is no occasion for attempting at this time to anticipate the future for a contingency which may not arise. * * * To provide in a decree that a defend-

ant is not enjoined from making, using and selling devices which do not infringe or which have been licensed, seems unnecessary. The doctrine of Eldred and Kessler, if carried to the extent contended for by the defendant, will introduce radical and far-reaching limitations upon the rights of patentees. These questions may not arise in the case at bar, but if they should, the court should have the facts, and all the facts, before attempting to decide them.'

We concur in these remarks."

This is far from an adjudication that these defendants have the right to use, deal in or sell rubber tires and rims or vehicle wheels which in fact infringe the Grant patent, in the second circuit because made by the Kokomo Company in the seventh circuit.

If it is finally held, where a patent is litigated between the owner thereof and an infringer and the same is held invalid by the Circuit Court of a given circuit and the case is not appealed, and the same question is litigated in another circuit between the same complainant and a different defendant, alleged infringer, and the case goes to the Supreme Court of the United States and the patent is held valid, that the defendant in the first suit has the right to manufacture and sell articles plainly and indisputely covered by the patent all over the United States and that purchasers from such defendant everywhere in the United States are also protected in so using and selling such articles, the patent will afford little if any protection to the owner. The monopoly of the patent will be shared by the defendant in the suit referred to and he will have the same right to make and sell possessed by the owner of the patent and all purchasers and users under him will be protected. I am not prepared to assent to any such

result. Articles which in fact infringe this patent, if sold or used outside the circuits where the patent has been held invalid, must be held to infringe and those who sell or use outside the circuits referred to must be held to be infringers even if the articles so sold or used were made and put on the market by a person or corporation as to whom the patent was so held invalid. The decision of the Circuit Court in the district of Indiana may be the law there as to the Kokomo Company and those who deal with it there, but it is not the law of the second circuit or in any way binding on the courts in the second circuit. While articles made by the Kokomo Company and sold in the second circuit were excepted from the operation of the injunction in the case referred to it was not decided that the users and sellers here had any right to use and sell. As said by the Supreme Court the Circuit Court of Appeals of the second district reserved the question. The question is now before me in this motion to intervene and is a practical one. There is no rule of comity which requires the Circuit Court of the United States in one circuit and State to recognize the decree of a Circuit Court of the United States in another State and circuit in such a case as this, especially when the Supreme Court of the United States has decreed differently as to the same subject matter, viz., the validity of a patent. Neither the Kokomo Company nor the Diamond Rubber Company of New York is a licensee. The adjudication in Indiana has no force in New York. Suppose the decree of the Circuit Court in Indiana is to be given the effect of holding that the Kokomo Company had a right to make and sell the wheels or the parts complained of its effect may be confined to Indiana and if the Circuit Court of New York holds differently be-

tween other parties as it must in view of the decision of the Supreme Court, then all persons residing and acting in New York other than the Kokomo Company are subject to the decree made by the Circuit Court in New York. Sued in Indiana Circuit Court the Kokomo Company and possibly those purchasing from it would be protected, but sued in New York, second circuit, purchasers from the Kokomo Company would not be. The territorial jurisdiction of the two courts is separate and distinct. In Kessler v. Eldred, 206 U. S. 285, Kessler was the maker and seller of electric cigar lighters and had customers therefor throughout the United States. Eldred was a competitor of Kessler in the business of making and selling cigar lighters. Eldred owned a patent for an electric lamp lighter, known as the Chambers patent. Eldred brought suit against Kessler in the district of Indiana for infringement of the Chambers patent in making and selling his cigar lighters. The circuit court found that there was no infringement of the Chambers patent and its decision was affirmed by the Circuit Court of Appeals. There was no holding that the Chambers patent was invalid. Later Eldred brought suit in the western district of New York against one Breitweiser who was a user of the cigar lighters made by Kessler. Kessler assumed the defense of that suit. After the commencement of this last suit many of Kessler's customers refused to send in further orders and refused to pay for lighters already purchased, being intimidated by the suit against Breitweiser. Thereupon Kessler brought suit in equity, northern district of Illinois, to enjoin Eldred from commencing further suits for infringement of the Chambers patent against Kessler's customers who used the precise structure made and sold by Kessler and which had been held as between Eldred and Kessler not to infringe the Chambers

patent on the ground such suits injured Kessler's business and would result in a multiplicity of actions. The Circuit Court dismissed the bill, but on appeal to the Circuit Court of Appeals, seventh circuit, that court certified to the Supreme Court the questions: 1, did the decree of non-infringement in the suit of Eldred v. Kessler, district of Indiana, have the effect to entitle Kessler to continue to manufacture and sell the lighter complained of in that suit throughout the United States? and 2, did the decree mentioned have the effect of making suits by Eldred against Kessler's customers for alleged infringement by them of the Chambers patent in using and selling the lighter made by Kessler, a wrongful interference by Eldred with Kessler's business? The Supreme Court answered both of these questions in the affirmative. Mr. Justice Moody, in giving the opinion of the court said, "We need not stop to consider whether the judgment in the case of Eldred v. Kessler had any other effect than to fix unalterably the rights and duties of the immediate parties to it, for the reason that only the rights and duties of those parties are necessarily in question here. It may be that the judgment in Kessler v. Eldred will not afford Breitwieser, a customer of Kessler, a defense to Eldred's suit against him. Upon that question we express no opinion. Neither it nor the case in which it is raised are before us. But the question here is whether by bringing a suit against one of Kessler's customers Eldred has violated the right of Kessler. * * * Leaving entirely out of view any rights which Kessler's customers have or may have, it is Kessler's right that those customers should, in respect of the articles before the court in the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone. The judgment in the previous case fails of the full effect which the law at-

taches to it if this is not so." In the statement of the case the court says, "Eldred was a competitor of Kessler's and manufactured a similar form of lighter (entirely dissimilar from that described in the Chambers patent.") It was evident to the court that Eldred's line of conduct was intended and calculated to injure and impair the trade of Kessler by driving away his customers. The validity of the Chambers patent owned by Eldred and which he claimed Kessler infringed was not (so far as appears) in question. In any event the decree did not go against Eldred and in favor of Kessler upon any theory that the Chambers patent was invalid, but simply on the proposition that Kessler's lighter, "like Eldred's" but "entirely dissimilar from that described in the Chambers patent," did not infringe the structure covered by the Chambers patent. It well may be that in such a suit really to enjoin an unlawful interference with a man's business by means of vexatious suits against his customers as between the parties to the prior suit the court has power to intervene and restrain the alleged wrongdoer, one of the parties to that action, at the suit of the other from bringing and prosecuting other actions involving the same precise facts and questions even though brought against other defendants and apply the rule or doctrine of comity thus giving full force and effect to the judgment of the Circuit Court rendered in one district in other or even all districts in the United States.

There is a wide distinction between a holding that a patent is invalid and a holding that a certain manufactured article does not infringe such patent. In Kessler v. Eldred, the question was not submitted and the Supreme Court did not decide that a judgment in the Circuit Court of one district and circuit holding a patent invalid is binding and conclusive of that fact in

all other circuits even as between the parties to the suit. Nor did it decide, as we have seen, that such a decree protects purchasers from the defendant in such a suit, who has successfully denied the validity of the patent, who are using and selling the alleged infringing article (made by the defendant in such suit) in other circuits against the charge of infringement made in the circuit where the alleged infringing acts are done. If that is held it must follow that the decree of a Circuit Court of the United States in one circuit, as between the parties to the suit and their privies and all persons who take property from the one or the other of the parties, adjudicated upon or in relation to in such suit, is final, binding and conclusive in all other circuits as to like property thereafter made. There was no direct judgment that Kessler had the right to make the lighters in question. It was not adjudicated between Kessler and Eldred that Eldred had no valid patent. It was adjudicated that a certain structure made by Kessler did not infringe—was not covered by—Eldred's (the Chambers) patent. That adjudication was affirmed by the Circuit Court of Appeals in the seventh circuit. (Eldred v. Kessler, 106 Fed. R. 509.) That became the law of the case in that circuit as to that particular subject matter between these parties and their privies. The equity action was brought in the Circuit Court of the northern district of Illinois, also in the seventh circuit. It well may be and is probable that the opinion of the court in Kessler v. Eldred, *supra,* was given with this fact in mind. Eldred was a citizen of the northern district of Illinois and Kessler of the district of Indiana.

In the case at bar the rubber tires and rims in question here were not in existence when the case in Indiana was decided and the decree rendered which is al-

leged to protect the defendants here. They could not have been a subject of controversy in that suit. The validity of the Grant patent was in issue. It was adjudicated that it had no legal existence. Having no existence as to the seventh circuit, district of Indiana, the making and sale of rubber tires and rims by the Kokomo Company was not unlawful so far as the holder of that patent was concerned. I am of the opinion that this decree conferred and confers no right on the Kokomo Company to perpetually and forever infringe the Grant patent now that it has been held valid by the Supreme Court of the United States whose decision must be the supreme law of the land. Clearly, to my mind, it confers no right on the Diamond Rubber Company of New York, the petitioner for intervention here, to purchase and sell rubber tires or rims or rubber-tired wheels made by the Kokomo Company which in fact infringe the Grant patent, for as to it the Supreme Court of the United States has decided, in a case where it was sued for infringing that patent and where its validity was directly in issue, that the patent is valid and that the Diamond Rubber Company has no right to make or sell articles covered by it. The exception in the decree of the Circuit Court of Appeals, second circuit, went to the terms and extent of the injunction to issue under it, and the effect of its decree as a whole was to reserve the question here in issue. This is held by the Supreme Court as before stated. In short, unless the decree in the Circuit Court of Indiana, referred to, is a protection to the Kokomo Company and all who purchase and sell tires and rims of its make wherever located and dealing in them, the Diamond Rubber Company of New York and these defendants, Seim and Reissig, are infringers when they purchase and sell and use the articles mentioned in the

State of New York, especially those made or purchased and sold here since the decree of the Circuit Court of Appeals, second circuit, and its affirmance by the Supreme Court. To hold otherwise is to fail to give full force and effect to the decision of the Supreme Court of the United States. To hold that the Diamond Rubber Company of New York, as to which company the Grant patent has been held valid in a suit wherein that company was defendant by the Supreme Court of the United States, is at liberty to purchase and sell these tires and rims throughout the United States is to say that the patent is invalid as to that company by reason of the decree of the Circuit Court in the district of Indiana, a subordinate court, as to all articles made and sold by the Kokomo Company in whose hands soever they go and to my mind is extending the doctrine of Kessler v. Eldred, *supra,* far beyond its legitimate scope, and the intent of the court which pronounced the judgment in that case. I do not think that either the Diamond Rubber Company of New York or these defendants is in privity with the Kokomo Company. True they purchase rubber tires and rims from the company directly or indirectly, but such tires and rims were not the subject of that action or involved in it as they were not then in existence. They were not parties to that suit in Indiana or represented by any one who was a party. They had no interest in it. The term "privity" denotes mutual or successive relationship to the same rights of property. Litchfield v. Goodnow (and cases cited), 123 U. S. 549, 551.

SECOND.

The purchasers and users of infringing tires made by the Kokomo Company are liable for the infringement of the patent even if the Kokomo Company is immune from prosecution.

The defendants purchased the tires from the Diamond Rubber Company of New York. Seim & Reissig are carriage builders and put the tires on vehicle wheels. The Woodward Company is a merchant selling carriage supplies. This company sells the infringing parts to builders and repairmen who put the tires on vehicle wheels. They both reside in the city of Albany, New York. The patent is valid at least so far as the Diamond Rubber Company is concerned. The Diamond Rubber Company of New York cannot escape liability under the patent by purchasing from the Kokomo Company and selling the infringing tires outside of the district of Indiana.

Judge Ray, in the decision in the case against the Woodward Company, said as follows (Hurd v. The Woodward Co., 190 Fed. Rep. 28, at pages 31-34): Concede that the Kokomo Company is fully protected by the Indiana decree in continuing to make these tires and even in selling them it by no means follows that purchasers from it and purchasers from those purchasers are protected; that dealers throughout the United States may purchase from the Kokomo Company tires of its make and flood the markets and fix the price and in a great measure destroy the value of the patent to the owners thereof. I think full faith and credit can be given that Indiana decree, within the

meaning of the constitution and laws, without carrying its effect to any such extent. At the time that suit in the Indiana circuit was commenced the Kokomo Company was engaged in making and selling rubber tires for rubber tired wheels, which tires were covered by and within the claims of the patent. The complainants alleged that they owned the Grant patent and that such rubber tires did infringe that patent. Under the statute it was a defense to it as to such acts for the Kokomo Company to show, if it could, that the patent was invalid, in which case there would be no infringement. That defense was sustained, I assume, and hence the bill was dismissed. As it was in no way reviewed that decree, as between the owners of the patent and the Kokomo Company, became a final adjudication that the patent was invalid. So long as that decree stands no action can be sustained against the Kokomo Company for an infringement of that patent. But it gave no license to the customers of the Kokomo Company to make and sell tires which infringed that patent, assuming its validity, and if one of the Kokomo's customers had done so the owner of the patent could have sued him and to defend successfully he would have been compelled to establish the invalidity of the patent, and proof of the decree in favor of the Kokomo Company would not have established that fact in his favor. I think this demonstrates that the decree referred to in favor of the Kokomo Company has no effect as *res adjudica* or a prior judgment or decree in favor of the customers of the Kokomo Company so far as the question of the validity of the patent is concerned.

The Supreme Court of the United States has decreed against the Diamond Rubber Company directly that the patent is valid and while other parties may on new or additional evidence contest its validity, it should be

held presumably valid as to all persons and corporations not protected by a decree in their favor declaring its invalidity. In face of the decree of the Supreme Court of the United States wherein the Diamond Rubber Company was defendant holding that patent valid it is clear that company cannot allege its invalidity. The Kokomo Company, if sued for infringement of this patent, can say it has been adjudicated in a suit by the owner of the patent against us, that the patent is invalid and therefore we cannot infringe. However this adjudication of invalidity does not protect the present customers of the Kokomo Company as they were not parties to the suit or in any way privies. They have not succeeded in title to any property or property right which was the subject matter of that suit. That decree said to the Kokomo Company, you have not infringed for the reason the patent is invalid. It said to the Kokomo Company, the articles you have made do not infringe the Grant patent for the reason the patent is invalid. For this reason the articles made by it did not infringe so far as the Kokomo Company was concerned and probably purchasers from that company of articles then made who succeeded to the property held not to infringe the patent were and are protected against the charge of infringement. But articles made since that time not then in existence were not the subject of that suit or in any way in question. This defendant does not own and is not selling, using or dealing in articles which were in question in that suit. I think I am at liberty to hold and that it is my duty to hold that the Grant patent is valid as to the Diamond Rubber Company and the defendant company, the Woodward Company, and that the tires it is selling infringe that patent and that the decree referred to dismissing the bill against the Kokomo Company does not protect

the defendant in selling them even though it appears that they were made by the Kokomo Company. The Diamond Rubber Company, which purchases these tires from the Kokomo Company and sells them to the Woodward Company was the defendant in the suit decided by the Supreme Court of the United States and the patent was held valid as to such company. True, the injunction granted, as modified by the Circuit Court of Appeals, said, "Nothing in this injunction shall prevent or is intended to prevent this defendant (Diamond Rubber Company) from handling, using and selling rubber tires and rims covered by the Grant patent, manufactured by the Goodyear Tire and Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the Federal Courts of the sixth circuit, or manufactured by the Kokomo Rubber Company, having a right to manufacture, use and sell such tires under a judicial decree in the district of Indiana, seventh circuit, or manufactured by the Victor Rubber Tire Company under a judicial decree in a litigation in the Federal courts in the sixth circuit, wherein in such litigation it has been judicially determined that the said Grant patent is invalid and void." This is far from an adjudication or determination that dealers who purchase from the Kokomo Company tires of its make, may sell again generally in the trade without being guilty of infringement. The Supreme Court, in its opinion, said this was a mere reservation of the question. The Indiana decree referred to did not grant any right to the Kokomo Company to make these tires. It simply said that it did not infringe for the reason the patent was invalid. That decision is a shield to the Kokomo Company against prosecution for its acts but not a sword which it can use to destroy the rights of the patentees or owners of

the patent against others or the rights of Hurd, a prior licensee. The decree of the court in the Kokomo case does not show that the court held the patent invalid. The papers before me present the bill of complaint but not the answer. There is no opinion of the court. The decree so far as material here, reads, "and this cause having been submitted to the court upon the pleadings, testimony, and exhibits and the court having heard the argument of counsel and duly considered the same, and being sufficiently advised in the premises, finds that the equity of this cause is with the defendants. It is therefore ordered, adjudged and decreed by the court that the bill of complaint herein be and the same are hereby dismissed for want of equity." There is an affidavit that the court found the patent invalid. This is not the best evidence. It is strange that the answer is not presented with the opinion, or proof that no opinion was filed. It do not see that on the face of the record it appears that the court held the patent invalid. The decree may have gone on the ground of no infringement merely. However, I have assumed the affidavit states correctly the ground on which the court decided the case. This decree on its face and the record presented fail to show a judgment or decree of the court that the patent in invalid. It adjudicates no such fact and the record fails to show that any such fact was ever found by the court. I decline to find it on a simple affidavit which is but an expression of opinion. If there was any opinion it should be presented.

Counsel for the defendant bases his whole argument on the proposition that the decree in the Circuit Court of the District of Indiana granted something, some right or privilege, to the Kokomo Company and to its customers, viz., the right to make and sell and deal in these

tires made according to and within the claims of the patent. I do not so conclude. If it held the patent invalid and based its decree on that ground the record presented does not so show. If it merely held the articles made by the Kokomo Company were not within or covered by the patent and based its decree on such ground, then only those articles and others like them are protected.

While the Kokomo Company does not infringe because as to it the patent must be considered invalid the article made, if made by another, does infringe, that is, it is an infringement of a valid patent. How can the customers of the Kokomo Company be heard to say that the patent is invalid? And how can their customers in turn assert its invalidity? As to the maker of these tires there is no valid patent but as to the customers of such maker there is a valid patent. The patent confers on the owner thereof the sole right to make, use and vend—except as to the Kokomo Company as to whom there is no valid patent. These tires made by it are not licensed unless the Kokomo decree operates as a license. I think the moment these tires now made by the Kokomo Company come into the hands of a person as to whom the patent is valid, such person violates the rights of the owners of the patent by using or vending same. The Kokomo Company cannot vend its immunity from prosecution or its decree in its favor that the patent is invalid. It is not assignable to any one. Does the immunity pass with articles made by the Kokomo Company attach itself to them?

The consequences to the owners of patents will be somewhat serious and destructive of their rights if it is held that such a decree confers on an infringer the right to make and sell, and on all his customers and on

those to whom such customers sell, the absolute right to sell and use the articles so made. If it so happens, and it not inferquently does happen, that a patent is infringed and held invalid in a suit against such infringer and an appeal is taken to the Circuit Court of Appeals of the circuit and the decree is affirmed and *certiorari* to the Supreme Court is denied and time for all review is gone and then the same thing occurs in another circuit except that the decision is the other way and *certiorari* is granted and the holding that the patent is valid, is affirmed, the infringer in the first case mentioned, through no fault of the owner of the patent, will have become possessed except as to granting licenses to manufacture of all the rights the owner himself possesses. He can manufacture and sell *ad libitum* and supply dealers who in turn will supply the market, cut prices and destroy or greatly impair the value of the patent to the owner and Hurd, a prior licensee. I am not prepared to give to such a decree any such effect.

THIRD.

The defendants are not immune from prosecution by the complainant Hurd for using and selling the infringing tires made by the Kokomo Company in the exclusive territory conveyed to Hurd prior to the commencement of the action against the Kokomo Company.

Mr. Hurd is prosecuting this suit on his own account, joining with him the legal owner and licensee of the patent. This is found as a fact by the Circuit Court of Appeals (page 2 of the certificate).

It is also found as a fact that immediately after the issue the Rubber Tire Wheel Company became the exclusive owner of the entire interest in the patent and being such owner did, on October 11, 1897, assign to James D. Hurd an exclusive license and shop right to put on rubber tires according to the patent and ship and sell the same in certain exclusive territory and that Mr. Hurd immediately commenced to operate and has since operated under said patent in said territory (page 1 of the certificate).

It is to be assumed that Mr. Hurd became the owner of such exclusive territory by paying a valuable consideration therefor and that he is entitled to the profits derived from the use of said invention. The facts certified to are also conclusive that such an assignment was made to Hurd prior to the commencement of the action against the Kokomo Company and that he was not a party or privy to such action and had no control over the action and was not within the jurisdiction of the court and therefore not bound by the decision of the court in said action.

No judgment or decree in any court can be conclusive or binding upon a person who was not a party to the action or within the jurisdiction of the court and who had no control or knowledge of the action in which the judgment was rendered or who does not succeed to the rights of a party to the action. This is an elementary principle of the law recognized in all courts, both Federal and State.

Calculagraph Co. v. Automatic Time Stamp Co., 154 Fed. Rep. 166.

Hart v. Globe Ins. Co., 113 Fed. Rep. 307.

Carey v. Roosevelt, 102 Fed. Rep. 569.

Higgins Oil & Fuel Co. v. Snow, 113 Fed. Rep. 433.

Pardee v. Aldridge, 189 U. S. 429.
Mastern v. Olcott, 101 N. Y. 152.
Collins v. Hudorn, 135 N. Y. 320.

Counsel claims that Mr. Hurd has only a shop license and has no right to maintain this atcion. The license agreement between the Rubber Tire Wheel Company and the complainant Hurd provides in the third paragraph as follows:

> " The Rubber Tire Wheel Company hereby also grants to the said second party an exclusive license and shopright to put on rubber tires according to the improvements and designs of the first party in the following territory and not elsewhere (naming the territory), with the exclusive right to ship and sell the same throughout said territory and not elsewhere."

This clearly gives Mr. Hurd the exclusive right to use and sell in his territory. Such a right carries with it the right to maintain an action in the United States Court for the infringement of the patent and for injunctions against infringers.

Waterman v. MacKenzie, 138 U. S. Sup. Ct. Rep. 252.

The exclusive license also gives Mr. Hurd the right to join the Consolidated Rubber Tire Company, and the Rubber Tire Wheel Company as parties complainants with him, even without their consent, in bringing the action to protect his rights under said license agreement. He has the exclusive rights under the patent for his territory. The other complainants have no power to prevent him from prosecuting his suits and he has

a right to join them with him in the suits so as to have the entire interest before the court.

Goodyear v. Bishop, Fed. Case, 5,558.
Brush-Swan Electric Light Co. v. Thompson-Houston Co., 48 Fed. 226.
Brush-Eelectric Co. v. Electric Co., 49 Fed. 74.
Brush Electric Co. v. California Electric Light Co., 52 Fed. 945.

"A grant by owner of a patent of an exclusive license to sell the patented article in a specified territory carries with it an implied authority to join the owner, even against his will, as a party plaintiff in suits against infringers."

"It will thus be seen that the licensee in this case received very important rights by virtue of its grant. If it cannot use the name of its licensor in an action to protect its rights against an infringement of the patented device or improvement it has the exclusive right to use and sell, we have a case of a person possessing important rights with no legal power to protect them; for a licensee cannot sue in his own name for an infringement of the patent concerning which he has a license."

See also

Excelsior Wooden Pipe Co. v. Allen, 104 Fed. 553.
Adriance, Platt & Co. v. McCormick, 55 Fed. 288.
Carroll v. Goldsmith, 83 Fed. 508.

Hurd's exclusive license is not limited or restricted by the reference to the contract with the Hartford Rubber Works Co. to manufacture rubber tires for the

owners of the patent which contract has long since expired.

If the defendant or the Diamond Rubber Company or the Kokomo Rubber Company have the right to manufacture and sell in disregard of and violation of the patent everywhere in the United States it must be either upon the ground of an estoppel or *res adjudicata*. The action was by the Consolidated Rubber Tire Company and the Rubber Tire Wheel Company against the Kohomo Rubber Company. The doctrine of estoppel can only apply to the complainants or their successors in interest. The doctrine of *res adjudicata* can only apply to the parties to the action and their privies.

Hurd had his exclusive rights to his territory before the action was commenced and was not a party to the action and therefore cannot be bound by that decree unless the decree by some broad pirnciples of law gave the defendant an unlimited and absolute right to use the invention. We contend that there is no such broad principle of law. If the owners of the patent had given the Kokomo Company a license to make, use and sell the patented invention in the district of Indiana then that company would have the right to make the article and sell it in Indiana, and when lawfully sold there the purchaser could resell it anywhere within the United States but that is not this case.

The Kokomo Company could secure under that decree no greater rights than the parties to the action had. The parties at that time had no right to bind Mr. Hurd by any contract or to sell in his territory. There is nothing in the case of Kessler and Eldred that would justify any such broad contention as claimed by the defendants' counsel.

The doctrine mentioned by the court in the decision of Kessler v. Eldred, does not seem to be thoroughly

understood by the attorneys generally. Therefore, it is much criticized, as shown in Fixed Law on Patents by McComber, section 31 and other sections.

FOURTH.

If the Kokomo Company is immune in making infringing rubber, which is only one element of the combination of the patent, its customers who purchase the rubber from the Kokomo Company and metallic channels and retaining wires from other parties and assemble the same upon wheel rims, or sell the same to be so assembled, making the complete structure of the patent, are not likewise immune from prosecution.

The patent is for a rubber tired wheel composed of rubber, metallic channels and retaining wires placed upon vehicle wheels. The Kokomo Company make the rubber only. In the Woodward case the rubber is purchased from the Diamond Company and the metallic channels and wires from other parties and all are sold to be assembled on wheels. In the Seim case the rubber, metallic channels and retaining wires are purchased from the Diamond Rubber Company and are assembled on wheels by the defendants. The completed articles, rubber tired wheels, are not made or sold by the Kokomo Company or the Diamond Rubber Company of New York. They are contributing infringers. If the Kokomo Company does have the right to make the infringing rubber, this conveys no right to

the defendants to assemble the rubber with the other elements making an infringing article. The infringement is not complete until the various elements are assembled on the wheel and the finished product is produced.

Therefore, the fact that the Kokomo Company has a right under its decree to make the infringing rubber, the defendants in these cases have no right to complete the infringement. This is elementary law recognized by all the courts. This point is more thoroughly argued before this court in the case of the Rubber Tire Wheel Company v. The Goodyear Tire & Rubber Co., No. 311, October Term, 1912, argued during the spring of 1913, and not yet decided.

Under all the facts and circumstances in the case the four questions certified to this court by the Court of Appeals in the Second Circuit should each be answered in the negative.

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